

Message Text

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PASS EXIMBANK

E.O. 11652: N/A

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SUBJECT: EC COMMISSION PREPARES A DRAFT PAPER ON ESTABLISHING
AN EC EXPORT IMPORT BANK

REF: EC BRUSSELS 3337

1. SUMMARY: THE EC COMMISSION PLANS TO SEEK THE EC COUNCIL OF MINISTERS' AGREEMENT IN PRINCIPLE TO THE ESTABLISHMENT OF AN EC EXPORT IMPORT BANK. THE BANK'S MAIN PURPOSE WOULD BE TO PROVIDE EXPORT CREDITS TO FINANCE LARGE MULTINATIONAL PROJECTS, INVOLVING EXPORTS FROM SEVERAL MEMBER STATES. THE COMMISSION IS CONSIDERING A NUMBER OF ADDITIONAL ACTIVITIES WHICH THE BANK MIGHT UNDERTAKE AT A LATER DATE. SEVERAL MEMBER STATES, HOWEVER, ARE EXPECTED TO RESIST SETTING UP A NEW EXPORT CREDIT INSTITUTION. END SUMMARY.

2. THE FULL COMMISSION CONSIDERED ON JUNE 11 A DRAFT "OPTIONS" PAPER ON THE PROPOSED ESTABLISHMENT OF AN EC EXPORT IMPORT BANK. A WORKING GROUP HEADED BY DE KERGORLAY, DG-I, AND NASH, DG-II, LIMITED OFFICIAL USE

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PREPARED THE PAPER. THE BANK WOULD PROMOTE EC EXPORTS BY PRO-

VIDING EXPORT CREDITS, ESPECIALLY FOR LARGE MULTI-NATIONAL PROJECTS THAT INVOLVE SEVERAL CURRENCIES. THE PAPER NOTES THAT THE MEMBER STATES ARE CURRENTLY NOT COMPETITIVE WITH THIRD-COUNTRY EXPORT CREDIT INSTITUTIONS, PARTICULARLY THE US EXIMBANK, IN THE FINANCING OF LARGE PROJECTS DRAWING ON EXPORTS FROM A LARGE GEOGRAPHIC AREA. THIS NEW INSTITUTION WOULD BE DESIGNED TO MATCH THIRD-COUNTRY CREDIT TERMS. AN EC EXIMBANK WOULD ALSO HELP TO HARMONIZE EC EXPORT CREDIT TERMS AND COULD PROVIDE FAVORABLE CREDIT TERMS TO DEVELOPING COUNTRIES. FOR THESE REASONS, THE WORKING GROUP RECOMMENDED THAT THE EC ESTABLISH AN INDEPENDENT EXIMBANK.

3. AFTER A BRIEF DISCUSSION OF THE PAPER, THE COMMISSION DECIDED TO SEEK THE COUNCIL OF MINISTERS AGREEMENT IN PRINCIPLE TO THE ESTABLISHMENT OF AN EC EXIMBANK. THE COMMISSION DIRECTED THE WORKING GROUP TO DRAFT A FINAL PROPOSAL BY MID-JULY WHICH WOULD FOCUS ON THE NEED TO FINANCE MULTI-NATIONAL PROJECTS. AFTER REVIEWING THIS PROPOSAL, THE COMMISSION WOULD SUBMIT IT TO THE COUNCIL OF MINISTERS. THE EXIMBANK WOULD USE THE COMMUNITY'S GUARANTEE TO BORROW ON THE INTERNATIONAL CAPITAL MARKETS. THE BANK'S FUNDS WOULD PRIMARILY COME FROM THESE BORROWINGS.

4. THE WORKING GROUP SUGGESTED THAT THE EC EXIMBANK MIGHT EXTEND ITS ACTIVITIES BEYOND FINANCING OF EXPORTS. THE BANK COULD PROMOTE TRIANGULAR INVESTMENT ACTIVITIES IN WHICH IT WOULD HELP MARSHAL EUROPEAN TECHNOLOGY AND MANAGEMENT SKILLS TO USE OPEC FUNDS IN THE DEVELOPMENT OF LDC ECONOMIES. THE BANK COULD ALSO PROVIDE POLITICAL RISK INSURANCE FOR FOREIGN PRIVATE DIRECT INVESTMENT. THIS INSURANCE MIGHT FACILITATE INVESTMENTS IN PROJECTS TO DEVELOP RAW MATERIAL RESOURCES IN DEVELOPING COUNTRIES. SUCH PROJECTS WOULD HELP IMPROVE EC ACCESS TO RAW MATERIALS. THE BANK MIGHT ALSO HELP FINANCE THE STOCKPILING OF CRITICAL RAW MATERIALS AND PROMOTE LONG-TERM SUPPLY CONTRACTS TO MEET EC RAW MATERIAL NEEDS. THE COMMISSION DECIDED TO INCLUDE IN ITS PROPOSAL THESE ADDITIONAL ACTIVITIES AS POSSIBLE FUTURE AREAS FOR THE BANK TO CONSIDER ONCE IT IS WELL ESTABLISHED. ITS IMMEDIATE FUNCTION WILL SOLELY BE TO FINANCE EXPORTS.

5. ONCE THE COMMISSION ADOPTS A FORMAL PROPOSAL, THE EUROPEAN PARLIAMENT AND EC ECONOMIC AND SOCIAL COMMITTEE WILL COMMENT

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ON IT. THE COUNCIL WILL THEN TAKE IT UP. SHOULD THE COUNCIL AGREE IN PRINCIPLE, THE COMMISSION WOULD HAVE THE TASK OF PREPARING A DRAFT DIRECTIVE TO AUTHORIZE THE BANK'S ESTABLISHMENT.

6. COMMENT: COMMISSION FINANCE OFFICIALS ARE NOT OPTIMISTIC THAT THE MEMBER STATES WILL READILY ACCEPT THIS PROPOSAL. THE BANK WILL BE DEALING IN A HIGH RISK AREA--BEYOND THE CAPABILITY OF THE NATIONAL INSTITUTIONS--WHICH WILL MAKE IT VUL-

NERABLE TO LOSSES. MEMBER STATES WILL BE RELUCTANT TO OBLIGATE BUDGET RESOURCES TO COVER THESE POTENTIAL LOSSES. IN ADDITION, THE WORKING GROUP HAS NOT JUSTIFIED THE NEED FOR A NEW INSTITUTION. POSSIBLE ALTERNATIVES WOULD BE TO IMPROVE COOPERATION AMONG EXISTING NATIONAL FACILITIES OR TO EXTEND THE ACTIVITIES OF THE EUROPEAN INVESTMENT BANK TO INCLUDE FINANCING OF LARGE, MULTI-CURRENCY PROJECTS.

7. COMMISSION OFFICIALS BELIEVE, HOWEVER, THAT THERE IS A REAL NEED FOR THIS TYPE OF FACILITY. SEVERAL OFFICIALS SUGGESTED TO THE COMMISSION THAT IT SHOULD FIRST ELICIT PUBLIC COMMENT ON THE PROPOSAL. THIS WOULD HELP DEMONSTRATE TO THE MEMBER STATES THAT THERE IS PUBLIC SUPPORT FOR AN EC EXPORT CREDIT FACILITY. THE COMMISSION DECIDED, HOWEVER, NOT TO DELAY ITS PROPOSAL. NEVERTHELESS, MANY OBSERVERS HERE BELIEVE THAT SEVERAL MORE YEARS WILL BE REQUIRED BEFORE THE COMMUNITY IS PREPARED TO ESTABLISH SUCH A BANK. END COMMENT. GREENWALD

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